

**BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA**

Docket NO: 2013-199-WS

In Re:)
)
Application of United Utility Companies,)
Inc. for adjustment of rates and charges)
and modifications to certain terms and)
conditions for the provision of water and)
Sewer service.)
_____)

**PRE-FILED SURREBUTTAL
TESTIMONY OF
DR. JAMES EPTING**

1 **Q: Dr. Epting, what is your purpose in filing Surrebuttal Testimony in this matter?**

1 A: My purpose in submitting this Surrebuttal Testimony is to specifically address the use of
2 a rate category for schools and Universities instead of a rate based upon SFEs, the determination
3 of SFEs for North Greenville University, and propriety of the ORS's calculation.

1 **Q. Should a new rate category for schools and Universities, other than using a rate**
2 **based upon SFEs, for calculating the rate charged for waste water treatment be used?**

1 A. Yes!

1 **Q. Please explain.**

1 A. Using a rate formula involving SFE's is extremely unfair and prejudicial to a University
2 whose use and student population fluctuates as much as it does. By this I mean last year we had
3 2,100 students plus facility and staff. This year our enrollment is 2,130 plus facility and staff.
4 When the enrollment was at 2,100 plus facility and staff our SFE's were finally compromised by
5 agreement with United Utility Companies and ORS at 299 SFE's. This is approximately 7.02
6 students per SFE. However, our enrollment dropped in February 2013 about 100 students and
7 again in May 2013, but there was no adjustment of the SFE's. North Greenville University does
8 not operate the University holding classes in the summer. We do have a summer camp of

1 approximately 500 boys and girls with only a very limited staff and no facility, which is a
2 substantial reduction in the number using our campus and the Waste Water Treatment Plant of
3 United Utility Companies, Inc.

4 The SFEs rate assumes that the occupancy and use is constant, such as a single family
5 dwelling. This assumption is not correct when applied to schools and Universities because of
6 their shut downs over the summer, or substantial drop in usage as shown above. Their use is not
7 constant.

8 The only real formula which is fair to all Universities and schools, including North
9 Greenville University, is for the Public Service Commission to disallow a rate based upon SFEs
10 and to require that all Water/Waste Water Utilities use a rate based upon the gallons of water
11 consumed by the users who use the water, or a waste water plant, such as that which is adjacent
12 to North Greenville University campus and is owned by United Utility Companies, Inc.

13 If the decision is made to continue to apply the SFEs in a rate base formula for schools
14 and Universities, I would propose that the SFE's for schools and Universities, such as North
15 Greenville University in this State be re-calculated every year on September 20th, February 1st,
16 and May 15th based upon the Student enrollments of the school 15 days prior to those dates. A
17 University, such as North Greenville, or school can submit a notarized statement to ORS on or
18 before each of these dates, and ORS using the formula of 7.02 students per SFE's could re-
19 calculate the number of SFE's assigned to North Greenville for that period. I would proposed
20 that this be done within fifteen (15) days from the date of the submission to North Greenville,
21 and that United Utility Companies, Inc. be given 15 days thereafter to adjust the rate charged to
22 North Greenville University. This would put North Greenville University on the same basis as a

1 single family residence whose occupancy does not fluctuate as sharply as does this University
2 student enrollment whose use is the basis for the SFE's charged to the University.

3 The complication of this proposal speaks of the unfairness and inequity of the current use
4 of SFEs when applied to schools and Universities in this State.

5 Of course this also begs the questions of whether this rate is uniformly applied to all
6 schools and Universities in this State or is the SFE rate only applied to certain schools and
7 Universities. If it is not uniformly applied to all schools and Universities and is basically unfair
8 and inequitable, then it needs to be changed so that all schools and Universities are treated
9 equally. In this era of technology, internet, and high tech, there cannot be any rational reason not
10 to treat all schools and Universities alike. Universities compete against each other for good
11 students and compete across State lines for good students. The University, just because it is in a
12 certain part of the State, should not be treated any differently as the State Universities and
13 schools in our State. This would deny the school or University due process.

14 **Q: What is it about the ORS's recent calculation of SFEs for North Greenville**
15 **University that concerns you?**

16 A: I do not believe that the ORS's calculations are appropriate. The ORS has, as recently as
17 three weeks ago, calculated the University's SFEs to be 309 SFEs. This calculation did not take
18 into account the import of the settlement agreement entered into by the University and United
19 Utility Companies back in 2012. In January 2012, the University entered into a settlement
20 agreement with United Utility Companies whereby it was agreed that the SFEs for the University
21 would remain at 299 until January 2013. Given that, it is only fair and equitable that only
22 changes taking place after January 2013 should be allowed to effect any increase in the SFEs.
23 Since the January 2012 agreement, the University has not added any additional buildings and on-

1 campus residency has decreased. There simply is no justification for an increase in SFEs without
2 some change in the University that would indicate increased usage.

3 **Q: Do you have any other concerns with the ORS's method of calculating the SFEs**
4 **recently assigned?**

5 A: Yes. The ORS assumed an on-campus student residency of 1,550. We do not have that
6 many students residing on campus. In fact, about 400 of the students we do have reside in homes
7 that are connected to septic tanks and therefore do not receive or require any services by United
8 Utility Companies. In our residence halls, we have an average of about 1,000 students actually
9 being served by United Utility Companies. The number of students being serviced by United
10 Utility Companies has actually decreased since the agreement was executed and approved by the
11 Commission. As such, it is my belief that the University's SFE's should have decreased with the
12 ORS's recent calculation. Also, the ORS's calculations include an assumption that the
13 University's pool has showers. It does not and so there should be no increase in the University's
14 numbers based on showers that we do not have. Moreover, our pool is only in use during the
15 summer.

16 **Q. Do you believe it is appropriate for United Utility Companies to request a**
17 **rate increase and to go back beyond January 1, 2013?**

18 A. No, and United does not mention the Public Commission's Order of July 17, 2012 which
19 was confirmed by the S.C. Supreme Court makes this Application to Increase Utility Rates
20 appear to me to be frivolous.

21 **Q. Why do you believe that this rate Application of United Utility Companies, Inc. is**
22 **frivolous?**

1 A. Under the Settlement Agreement with United Utility Companies, Inc. which was
2 consented to by ORS and incorporated into an Order of the Public Service Commission, Exhibit
3 A, United Utility Companies, Inc. agreed that the SFEs allocated to North Greenville University
4 were 299 as of January 1, 2013. It was also agreed that the rate charged by United Utility
5 Companies, Inc. would be increased at that time as a part of the compromise. For water the
6 increase was \$30,043, and for sewer the increase was \$120,220. In pre-filed testimony Mr.
7 Lubertozi, as an expert for United Utility Companies, Inc., testified that the increase revenues of
8 \$150,263 agreed to by the parties resulted in a return on equity of 6.64%, a return on rate base of
9 6.61% and a resultant operating margin of 9.09%. Also the Order provided that any general rate
10 increase by UUC would not become effective until after June 30, 2013.

11 ORS advises that the rate increase sought by UUC would provide a projected growth of
12 approximately 9% for UUCI. This would be for the Test Year 2012 in which UUC has already
13 received a 9% increase in its operating margin.

14 **Q. Assuming the Rate Application of United Utility Companies is found to be frivolous;**
15 **does North Greenville University seek any reimbursements?**

16 A. Yes, North Greenville University would request reimbursement of all of its costs and
17 attorneys' fees in opposing this Rate Application.

18 **Q: Is there anything else you would like to add?**

19 A: No.

20 **Q: Does this conclude your surrebuttal testimony.**

21 A: Yes, it does.